

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6071

BILL NUMBER: SB 36

NOTE PREPARED: Oct 28, 2008

BILL AMENDED:

SUBJECT: Renewable Energy Standards.

FIRST AUTHOR: Sen. Lanane

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill requires an electricity supplier to gradually supply a certain percentage of its total electricity supply from renewable energy resources, so that by the calendar year ending December 31, 2026, the electricity supplier must supply 25% of its total electricity from renewable energy resources.

The bill establishes the Renewable Energy Resources Fund (RERF). It requires an electricity supplier that fails to supply the specified percentage of electricity from renewable energy resources to pay a penalty. The bill deposits the penalties in the Renewable Energy Resources Fund.

The bill also requires the Indiana Economic Development Corporation, in consultation with the Indiana Utility Regulatory Commission, to develop a strategy to attract renewable energy manufacturing facilities, including wind turbine component manufacturers, to Indiana.

Effective Date: July 1, 2009.

Explanation of State Expenditures: *Indiana Utility Regulatory Commission (IURC):* This bill will increase the administrative expenditures of the Indiana Utility Regulatory Commission. The amount of the increase is indeterminable and will depend on administrative decisions made by the IURC in implementing the renewable energy resource requirements in this bill. There could also be an increase in IURC expenditures to the extent that the IURC conducts public hearings required for making a determination that an event beyond the reasonable control of an electricity supplier prevented that supplier from fulfilling the supplier's renewable energy resource requirements.

Indiana Economic Development Corporation (IEDC): The bill provides that if there is sufficient money in the Renewable Energy Resources Fund, the IEDC shall, in consultation with the IURC, develop a strategy to attract renewable energy manufacturing facilities, including wind turbine component manufacturers, to

Indiana. The increase in expenditures to the IEDC from this provision will be totally offset by the required reimbursement from the RERF. The RERF is made up of penalties deposited by electricity suppliers that do not meet the renewable energy resource requirements set forth in the bill.

Explanation of State Revenues: *Renewable Energy Resources Fund:* The bill requires electricity suppliers that do not meet the renewable energy resource requirements in the bill to pay a penalty equal to the number of megawatt hours of renewable energy that the electricity supplier was required but failed to supply multiplied by \$50. The penalties are required to be deposited in the RERF. The amount of penalties that may be collected is indeterminable. The amount of the penalty collections will depend on the number of electricity suppliers: (1) who fail to meet the bill's requirements; and (2) who were prevented from meeting these requirements due to events out of their control. If the electricity supplier failed due to events out of the supplier's control, the IURC may waive the penalty after a public hearing.

Utility Rates: To the extent that utility rates are affected by the renewable energy resource requirements in this bill, there will be an impact on Sales Tax, Utility Receipts Tax (URT), and Utility Services Use Tax (USUT) collections. It is estimated that utility rates will increase under the bill due to the provision requiring the IURC to allow an electricity supplier to recover reasonable and necessary costs incurred in: (1) constructing, operating, or maintaining facilities to comply with this chapter; or (2) generating electricity from, or purchasing electricity generated from, a renewable energy resource; by a periodic rate adjustment mechanism. The amount of any increase in rates will be determined by the costs incurred by suppliers in complying with the renewable energy resource requirements in this bill.

Background Information - The rate for both the URT and USUT is 1.4%. The URT is calculated on the gross receipts of all entities providing the retail sale of utility services in Indiana. The USUT is imposed on the retail consumption of utility services in Indiana. Both the URT and USUT are deposited in the state General Fund. Sales Tax revenue is deposited in the state General Fund (99.178%), the Public Mass Transportation Fund (0.67%), the Commuter Rail Service Fund (0.123%), and the Industrial Rail Service Fund (0.029%).

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: IURC, IEDC.

Local Agencies Affected: Municipally owned utilities.

Information Sources: Brian Borum, Director of the IURC Electricity Division, 317-232-2304.

Fiscal Analyst: Diana Agidi, 317-232-9867.